



City of Framingham  
Yvonne M. Spicer, Mayor  
  
FY2020 Budget Message



150 Concord Street  
Framingham, MA 01702  
Ph: 508-532-5400  
Fax: 508-532-5409  
[www.framinghamma.gov](http://www.framinghamma.gov)

May 2, 2019

The Honorable City Council  
City of Framingham  
150 Concord Street  
Framingham, MA 01702

Dear Councilors,

I am pleased to present the Fiscal Year 2020 (FY20) budget for the City of Framingham. The budget was prepared over the last several months in consultation with the Chief Financial Officer, Chief Operating Officer and Division Heads. As we developed this budget, we looked through the lens of the original five promises I made to the City:

1. Smooth Transition to City form of Government
2. Excellence in Education
3. Invigorating our Economy through Planned Growth and Balanced Development
4. Preservation of Assets, Resources, and Quality of Life
5. Investing in our People

The fiscal management of the budget is the cornerstone of our success as a municipality. This budget reflects our on-going efforts though the focus of the five promises, strategic thinking and deliberate decision making to balancing revenue while preserving Framingham services.

Proposed General Fund, otherwise known as the operating budget, is \$296,404,258 million, which is an increase of \$11.6 million or 4% over the FY19 budget.

In the FY20 budget, you will see that we are holding the Framingham municipal costs at a 2.2% increase, representing \$1.4 million. The City will continue to support our schools in the same excellent manner in which it has historically. The City is proposing a budget of \$137,873,104 – a 3.65% increase or roughly \$4.86 million over FY19.

The schools operating budget accounts for 47% of General Fund budget. This operating budget inclusive of salaries and day-to-day school operations. The schools' budget is not inclusive of benefits and retirement costs for non-teachers, school debt service and state assessments. When those are added, the school department's budget accounts for 60.2% of the General Fund.

Pursuant to the City's Charter Article VI, Sections 3 and 4: Submission of Budget and The Budget, included is the FY20 Operating Budget. Go [here](#) for the full budget.

## Highlights of the FY20 Budget:

- Cost of recycling has doubled
- 20.45 full-time employees (FTE)s were requested by municipal staff. We are adding 5 FTEs and we eliminated 3.6 FTEs. In FY20, we will hire 1.4 FTEs.
- Utility Enterprise Budget (water and sewer) is increasing 3.4%, which is down from last year's increase of 5.5%.
- We are recommending that we go to a 2.5 levy which will increase taxes \$159 a year.
- Planned Efficiencies:
  - The budget for Community and Economic Development Division, the Planning Board, and the Conservation Commission is being reorganized under a new division called Planning and Community Development. This provides resources to streamline the planning and permitting processes while reducing staff by one FTE.
  - Centralizing the maintenance, renovation, construction management of Framingham facilities will begin in FY20. This effort will provide better oversight as to how Framingham maintains and manages facilities and ultimately allow the City to take advantage of its buying power.
  - The merger of the Edgell Grove Cemetery with the existing Cemetery operation in the Park and Recreation Division as required by the Charter will occur in FY20. We anticipate streamlined services and lower costs as Edgell Grove is able to take advantage of the City's buying power for goods and services.
  - The City will institute centralized funding and payment of copiers. The new contract which will begin in September 2019 (FY20) will save more than \$2,400 per month.

As I indicated in my State of the City speech, Framingham's financial footing is solid. We continue to implement many financial best practices, such as creating and properly funding reserves; addressing our pension and other post-employment benefits liabilities; creating financial forecasts; and developing and implementing long-range capital investment plans.

Both our property value and the income of our residents has increased substantially. City-wide taxable property value is certified by the state at \$9.79 billion, representing growth in value of \$734 million or 8.5%. \$121 million of that increase is from new development within the city.

We will close fiscal year 2019 with a modest positive balance, remaining within the voted budget. Our local revenue is stable, and we continue to advocate for state aid and have benefited greatly from the stewardship of our legislative delegation.

While we are moving in the right direction with regards to diversity and inclusion, we still have miles to go. I have included a request for a Director for Diversity and Inclusion again this year. The role of Director for Diversity and Inclusion will lead on issues of equitable practices throughout the City of Framingham, providing cohesiveness and serving as a channel for all divisions and a resource for the school department to prioritize inclusivity and diversity.

In the last year, we've carefully managed the City's budget, treating the City as a business by monitoring expenses, spending and staffing with surgical precision. We instituted FramStat one year ago – a data

system to manage staffing, programs and services. Clusters of Division Heads, organized around functional expertise, meet with the Mayor's office every week to present and answer questions about what their divisions are accomplishing with their assigned staff and within their budgets. An invaluable benefit of FramStat is that we are increasing collaboration among the teams which, in turn, has a positive, cumulative impact on efficiency.

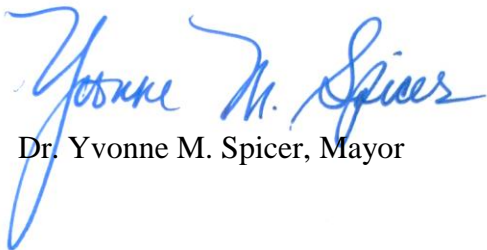
As with every budget, we are meeting challenges and taking advantage of opportunities to maintain balance between Framingham's ability to deliver municipal services and manage our costs and thus moderate taxes for residents.

In the next fiscal year, we create a long-term strategy for municipal buildings. The City also will begin to address funding fund Storm Water compliance. As well, we are looking to the future by investing our free cash with a long-term view, such as setting aside funds for investment in City assets, paying down liabilities, and maintaining a stabilization fund to help keep Framingham recession proof as much as possible.

We continually explore opportunities to gain efficiencies, such as implementing technologies to better serve residents and looking hard at our current and future staffing to help best meet the needs of the City. In our FY20 budget, all of the services that our residents rely on will remain as before because of efficiency and focus. We are a work in progress, but I'm proud of what we've done to maintain balance!

Finally, I would like to express my appreciation to our employees. Without their contributions and daily commitment, we would be unable to achieve success in providing for Framingham residents. The financial position of the City represents an organizational culture of innovation and a team that challenges itself to deliver excellent services at a cost that is affordable to the residents of our City.

Sincerely,



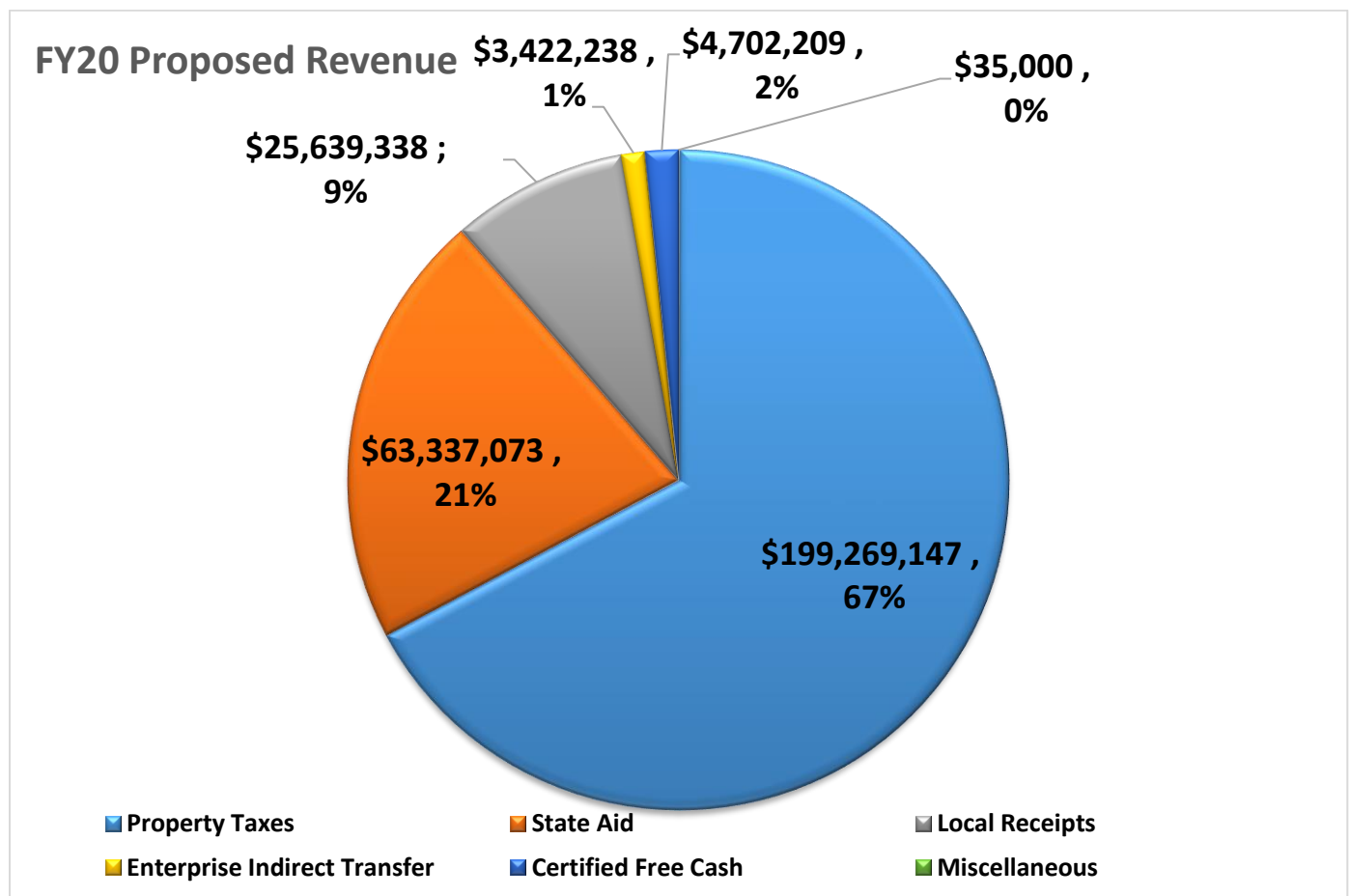
Dr. Yvonne M. Spicer, Mayor

The FY20 budget summary that is provided in the following pages are part of a comprehensive package that includes a number of detailed separate files for (1) department budgets, that includes prior year spending data (2) employee salary/wage data by department, (3) summary position data to show position counts by department (4) the FY20 Budget Order submitted to the City Council. All of this material is submitted to the City Council electronically and is posted on the City's website.

## FY20 Revenue Details

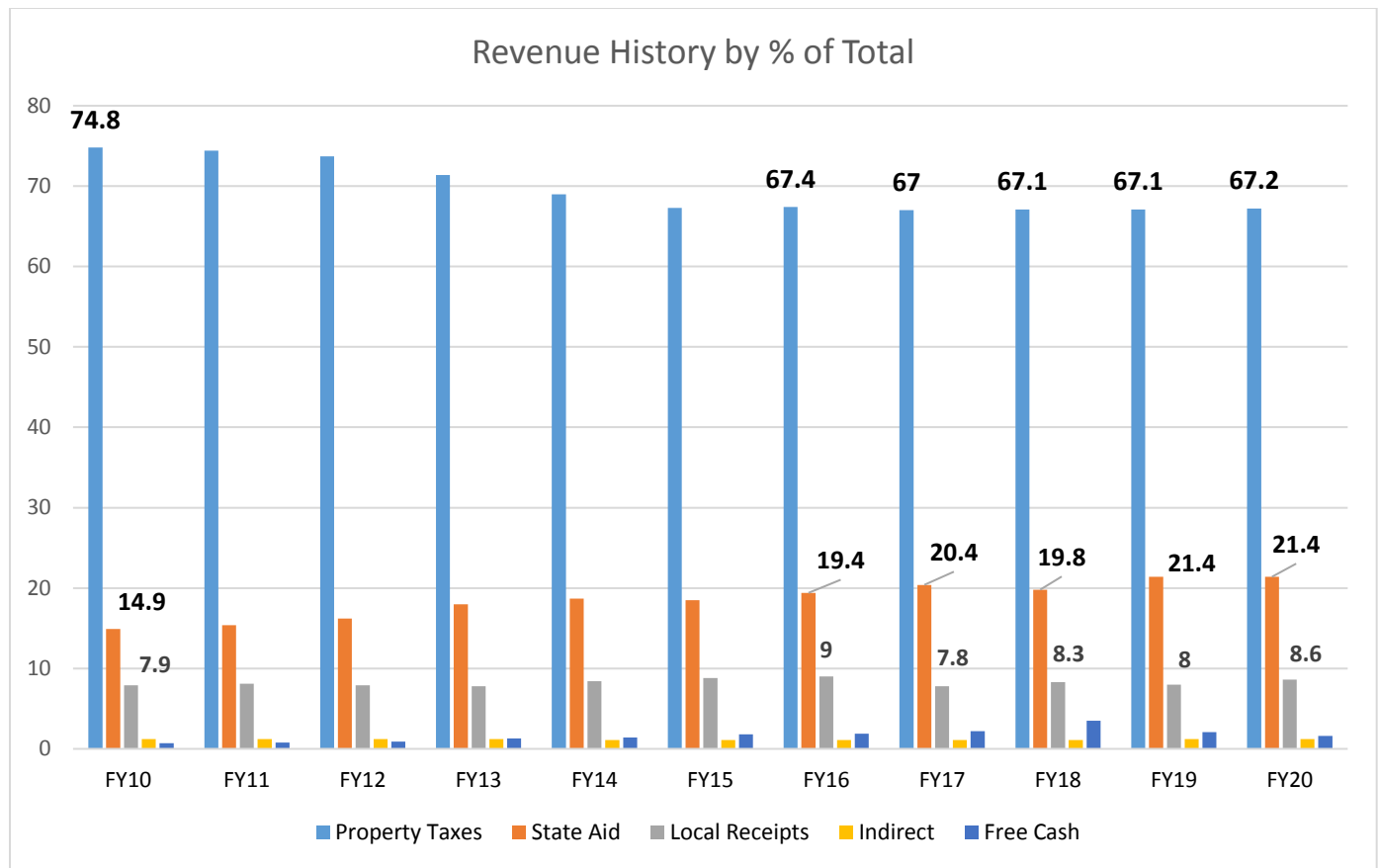
### General Fund Revenue

The General Fund is the primary operating fund for City revenues and expenditures. The estimate used for the FY20 operating budget is \$296,405,004. This is an increase of \$11.42 million or 4%. The State Aid amounts are based on the House budget. Local receipts are estimated largely based on the last three years' experience in actual revenue. Enterprise Indirect, the overhead charged against the Utility Enterprise Fund is a 4% increase over FY18. Free Cash is used to fund the Capital Stabilization Fund, Stabilization Fund, OPEB Trust contribution and a portion of the increase in the Pension Fund appropriation. Finally, this estimate relies on a 2.5% base tax levy increase and \$3.27 million in new taxes from development. There is no free cash allocated to offset the levy. The use of free cash in this manner creates instability in basic revenue and inconsistency in tax bills to residents. There is **no** revenue from marijuana businesses included in this revenue. The mitigation funds, capped at 3% of business revenue, and the 3% sales tax will not be substantial until the retail businesses are underway. The breakdown of the General Fund Revenue amount is illustrated in the pie chart below:



Historically, the City was very dependent on property taxes as a source of revenue. In 2009 the state created local meals taxes and increased the local room tax to bring some relief to the reliance on property taxes. This was helpful in that it generates about \$1.5 million in additional revenue. Our State legislators, led by Senator Spilka, corrected the inequity that existed with Framingham and Chapter 70 target aid. As a result of that work, chapter 70 aid has increased \$22 million or 79% since FY13, allowing us to

reduce reliance on property taxes as seen in the graph below. However, now that we have reached the Chapter 70 education aid target, we cannot expect large incremental increases in aid, as reflected in the pattern of the orange bar in the graph below for years FY17 through FY20.



For FY20, state aid is increasing 3.6%. Some state aid sources are declining, like Charter School reimbursements and School Building Authority reimbursements. Total Education aid is increasing \$2.7 million or 5.7%. State aid is not actually distributed as the amount listed on state Cherry Sheets. There are state assessments; charges for services related to state aid, such as Charter School Tuition and School Choice Tuition that amount to millions of dollars of deductions from state aid. The City gets the net revenue of state aid minus state assessments.

Local Receipts is the category of General Fund revenue that includes motor vehicle excise tax, room and meals taxes, building permits, user fees, rental income, interest and penalties on late tax payments, fines, payments in lieu of taxes, ice time at Loring Arena and cable access revenue from the three cable companies. In FY20, local receipts are increasing 7.3%. This significant growth is due to the addition of two new revenue sources. Solar net meter credit revenue is received from the sale of our solar net metering credits that we receive from the solar installation on the roof of Shoppers World (\$475,396). The second new source is revenue associated with Edgell Grove Cemetery (\$265,000), which will go to fund the operations of the Cemetery now merged within the Park and Recreation Division. While some of the individual revenue types that fall under local receipts change at different rates (excise and other taxes 3% and licenses and permits 4%) the total increase is \$1.7 million.

The next largest category of revenue is called Enterprise Indirect. This is the overhead charged against the Utility Enterprise Fund for services and management time performed by General Fund staff and costs funded in the General Fund that also cover the Water and Sewer Departments. These include items like unemployment insurance, workers' compensation costs, property and liability insurance and Medicare tax. Health insurance is funded directly out of the utility fund department budgets. The total revenue for FY20 is \$3.4 million, an increase

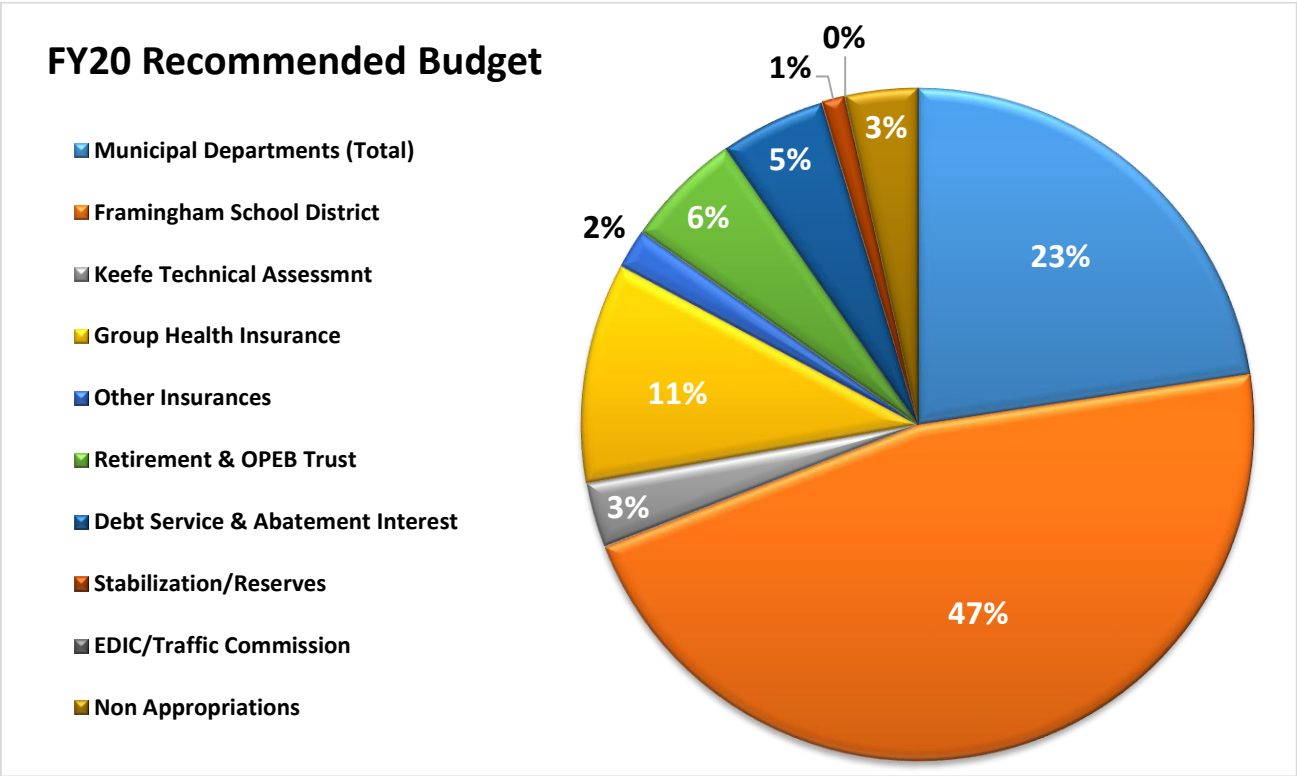
of 3% or \$100,000. Note that this is charged against the Utility Enterprise Fund. It is included in the budget detail for the Water and Sewer Departments, but not included in the appropriation amount in the Appropriation Schedule.

The final major revenue category is free cash. The free cash policy is provided in the back section of this document. The total amount of free cash used as a revenue source for the FY20 budget is \$4,702,209. This budget recommendation continues to build up the Capital Stabilization Fund in advance of the needs of the Long Range Building Plan - \$1.9 million is appropriated in this budget. In FY19 the Mayor proposed a deposit into this reserve of \$2.2 million; however that was diverted by the City Council to offset the increase in the tax levy for FY19. The transfer to the regular Stabilization Fund is \$448,209, which is enough to keep the Stabilization Fund at 5% of the total budget as required by current policy. The City created an OPEB Trust Fund to begin the process of funding the \$314 million liability related to the costs of retiree health care. The balance of this trust fund is currently \$6.1 million. The FY20 recommended addition to the OPEB Trust is \$250,000. The FY20 Retirement appropriation is funded by \$1.1 million of free cash, as described in the Retirement section below. \$1.1 million of free cash is used as a general revenue source.

Miscellaneous revenue is from parking receipts and the consumer protection fund. They total \$35,000.

**FY20 General Fund Expenditure Details**

General Fund expenditures increase \$11.6 million or 4% from FY19. The largest dollar increase by far is for the School Department – the General Fund recommendation is \$137,873,104. This is an increase of \$4,855,155 million or 3.65% from the FY19 budget. The funding recommendation for the School Department provides ample resources for stable school operations and educational improvement. The pie chart below illustrates the distribution of spending resources across major categories.



**Note: in this pie chart, the Municipal Departments total includes the Mayor’s Office, City Council and the addition of Edgell Grove Cemetery and Net Metering Credit payments.**

## *Budget Requests versus Budget Recommendations*

Overall City Department budgets are increasing 3.2% or \$2.06 million; however, that includes the merger of the Edgell Grove Cemetery (\$273,700) and funding the payment for net metering credits (\$372,317 in the CFO's budget). Once you remove these two items, the combined City Department increase is 2.2% or \$1,420,155.

Like the School Department, City Departments requested additional resources, both in terms of personnel, operating dollars and equipment. In total, City Departments requested 20.45 new positions. The FY20 includes five (5 FTEs) of those requested positions. We eliminate 3.6 positions in an effort to streamline organizations. This offsets all but 1.4 positions added to departments. There are a number of city-wide issues that need addressing, as specified in the list below and in the Mayor's letter. The list of requested positions, explanation of the need and recommendation are listed below:

1. Mandated storm water legal/regulatory compliance (MS4 Permit) - the new federal mandate that requires municipalities to identify, clean and repair structures that flow into rivers, streams, lakes, reservoirs and other bodies of water. The city has 8,500 catch basins that now need to be cleaned every year. In addition to buildings and parking lots, roads, wetlands, etc. owned by the City, we will be required to mitigate the water runoff from individual private properties, both commercial and residential. This is an enormous undertaking, one that every municipality has to deal with. The directing departments for stormwater compliance are DPW Engineering and Highway. The funding request for FY20 compliance is \$1.8 million which includes 10 new positions ranging from engineers to heavy equipment operators. The FY20 budget funds one Heavy Equipment Operator and the Operations Manager only. This will NOT make the City compliant with the MS4 permit; it is but a baby step towards addressing the problem. However, we need to look holistically at how to fund this unfunded mandate. DPW is partnering with a number of Metrowest communities to develop the best solutions. The remaining positions and added operating costs are not recommended in this budget as there are not enough revenue to cover the cost.
2. City-wide Diversity and Inclusion – a Director of Diversity and Inclusion is added to the Mayor's office (1 FTE). Engagement of our diverse Framingham population is vital. Our city is poised for excellence, and we should be doing everything possible to be inclusive and encouraging. It is imperative that Framingham has a full-time leadership position to support this work. The Director will focus on diversity in all its forms-racial, linguistic, socio-economic and geographical. Everyone in Framingham should feel they have a voice. The addition of a Diversity and Inclusion Director is the right hire at the right time for our City.
3. Public Health Intervention for the Opioid Crisis – the Department of Public Health requested an addition community intervention staff person to focus on this issue. *The recommendation is fund this position with marijuana tax revenue once the funds materialize.*
4. Increasing public safety access in both the Police and Fire Departments by adding dispatchers to handle the increasing volume of complicated medical calls. The Fire Department requested one day shift dispatcher. The Police Department requested three dispatchers to cover all shifts. *The FY20 recommendation is to fund one dispatcher in Police, where the call initiates. The remaining dispatchers would be funded from marijuana revenue.*
5. Additional Administrative Assistant for the City Clerk – the volume of certified birth certificates has increased significantly due to the identification requirement of the Real ID driver's license. The City Clerk's office also provides staff support to the City Council and back up to the City Council Executive Assistant. This is a new responsibility. The request is not recommended in the FY20 budget as there is not enough revenue to cover the additional cost.

6. The Council on Aging requested adding a Customer Service staff person. This position was reclassified last year into the Assistant Director at the request of the Department. *This addition is not recommended in the FY20 budget, as the focus is to add only the highest priority positions and limit the increase in total staff.*
7. The Accounting Department requested an additional FTE to process School payroll. There are currently only two FTEs that process more than \$100 million in School payroll annually. The School is implementing a new time collection software that will increase the amount of review of payroll records prior to processing. Additionally, school pay cycles and check schedules have become so convoluted that the level of work has increased. There are five different pay cycles, different start dates for the school year depending upon the employee group and hundreds of stipends and allowances and reimbursements to process on a weekly, bi weekly and other cycle basis. *This request is not recommended for FY20 as there is not enough revenue available to fund the added cost.*
8. The City Council is requesting to increase the City Auditor to full time from part time (+ 0.45 FTE). This is not recommended for FY20.

There are a number of important changes to City Department budgets.

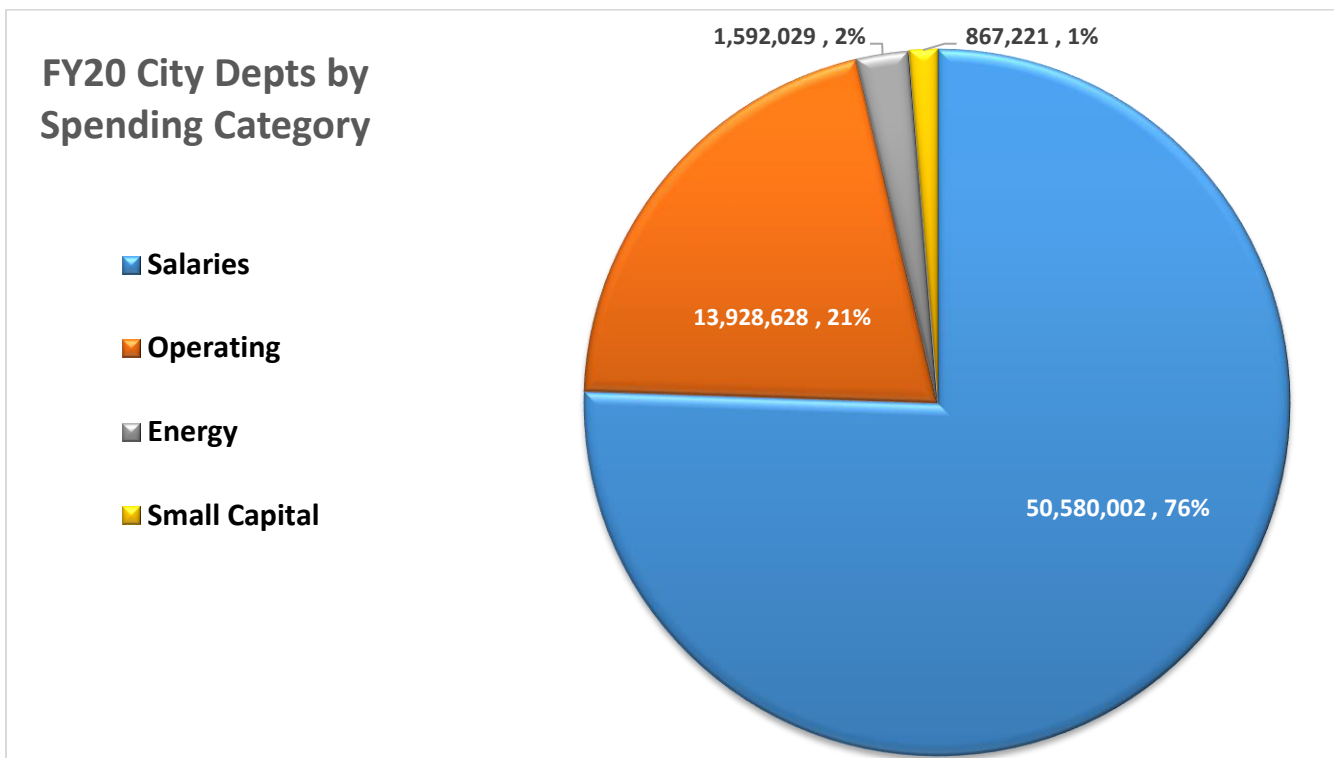
- The reorganization of the Community and Economic Development Division, the Planning Board, and the Conservation Commission into the new Planning and Community Development Division is funded in this budget. The formal reorganization plan must be filed as a separate order to be deliberated and approved by the City Council, but the funding structure associated with the reorganization is included in this budget.
- The Economic Development Industrial Corporation is recommended for FY20 funding for \$141,000 in a separate appropriation. The purpose of doing a separate appropriation is to allow the funds to be timed with the work plan and not expire at the end of the fiscal year. Activities in the EDIC work plan have frequently taken longer than a 12 month period. We have found that this funding structure works well and supports the economic development timetable of the EDIC.
- Phase one of centralizing the maintenance, renovation, construction management and long range planning City buildings is recommended for FY20. The Facilities Management and Capital Projects Division will re-assume the custodial, maintenance and capital project management of the two City Libraries. The 1.6 FTEs currently funded in the Library budget will transfer to Facilities Management. We are adding one staff person to the Facilities Management and Capital Projects Division for contract compliance for both maintenance contracts and construction contracts. Finally, the Facilities Management Division will be overseeing all maintenance work and cleaning services for the Loring Arena. The newly renovated Arena has many new mechanical, ADA and code compliant systems and equipment that require specialized attention. Finally, included with this budget is a new policy that requires any and all requests for building services – mechanical, electrical, structural and custodial – be approved by the Director of Facilities Management. Modeled after the existing Technology policy, which has been working successfully for decades, the implementation of this policy will begin with the new fiscal year. The policy will ensure that any work performed on City buildings will comply with all state building codes and follow best practices for maintenance, repair and cleaning. In the future, management of all City-owned buildings will centralize directly under the Facilities Management and Capital Projects Division, including DPW buildings and Park and Recreation buildings. The services and programs provided within those buildings will still be conducted by the Departments to which they are assigned.
- The Charter requires the Edgell Grove Cemetery operations be moved into the Executive branch as a new division. After meetings with the Trustees of Edgell Grove Cemetery, it made sense to merge Edgell Grove with the existing Cemetery Department within the Park and Recreation Division. The Edgell Grove Trustees would function similarly to the Library Trustees and the Park staff will work with the existing Edgell Grove staff to operate all four city cemeteries.

- Restructure of Solar Net Metering Credit incentive from a cost reduction mechanism to a revenue producing mechanism. The city entered into a solar net metering agreement in 2016 with Altus Energy which installed a 1.67mW facility on top of the western building at Shoppers World. The solar facility generates credits that are used to pay our electric bill. We buy the credits from Altus at a 20% discount and the credits reduce the electric bill by 100%. We use the savings to pay for the credits and reduce the overall cost of electricity in the city budget. It took almost two years to get the facility connected to the grid. Now connected, Eversource invoked a policy to pay the City cash for credits instead of giving us the credits to pay the bill. In this budget we add the revenue, \$475,396 in the local receipts revenue category. The expense of \$372,317 is accounted for in an energy line in the CFO's budget in order to be easily identified. This is a new expense and it throws off the comparison of energy spending from FY19 to FY20. The FY20 budget for energy spending is decreasing by almost \$300,000. The net result of incorporating solar net metering is an increase in revenue of \$103,000 to fund overall energy costs.
- Centralize funding and payment of City Department copiers. The Facilities Management and Technology staff have worked with state contracted copier vendors to re-bid the expiring contract for copy/print/fax/scan services across the multiple buildings which house city services. The entire equipment plan has been streamlined and assessed for quantity and capacity. The new contract will begin in September 2019 (FY20). The new plan will save more than \$2,300 per month and will be paid centrally from the Purchasing budget. Monies previously budgeted in multiple department have been combined into the Purchasing budget (and reduced).

Overall operating costs for City Departments total \$13.9 million, increasing by 5.5% or \$912,349. This is driven primarily by the cost of trash disposal, recycling costs, technology maintenance, cemetery maintenance and funding an extra election cycle. Energy costs are *decreasing* 0.6%.

Small Capital, is the category of spending for the purchase of replacement small equipment, items that do not have a useful life of five years or items we simply choose to pay directly as part of the operating budget. Each year this budget category starts from zero (i.e. zero-based budget); each requested is evaluated for need and either recommended or deferred. There is one exception to this methodology: there is a five year lease/purchase of a substantial technology upgrade that was authorized at the 2016 Annual Town Meeting. The fourth payment of \$250,000 is included in the Technology Department small capital budget. This will be included in the FY21 budget and then eliminated. The City Departmental total in this category is \$867,221, which is 3% less than FY19.

The pie chart below depicts City Department budgets spending categories by percentage.



*Note: this breakdown includes Mayor's Office, City Council, Edgell Grove Cemetery and Net Metering Credits Payments*

### *Departmental Staffing*

There is significant movement of positions and FTEs in the budget. Overall, not including Education Departments, the net change in full time equivalent positions (FTEs) is 1.4 FTEs higher than FY19. Personnel spending for City Departments total \$50.58 million, increasing almost \$1.4 million or 2.8%. As you can see from the pie chart on the previous page, personnel costs are the largest part of the combined City Department budget at 76%.

Included in this budget package is an FTE chart that lists the number of FTEs by Department, with notes as to new positions, eliminated positions and transfers of positions to other departments. We are eliminating four positions from various departments, which involves laying off three employees. The net effect is a reduction of 3.6 FTEs. Five new positions are added as described on the previous page.

This budget plan includes a detailed schedule of all employees by department, listing all positions, their salaries and differentials (if applicable), step dates and amounts, programs and funding sources. This file is called the Employee Schedule and is posted with FY20 budget material.

All but two of the City collective bargaining units are in the midst or about to begin negotiations. No funds have been included in individual budgets for negotiations. A salary reserve has been set aside with funding for a 1% cost of living adjustment for FY20 for all expired contracts.

### Classification Plan

This budget package also includes supporting material for the Classification Plan and salary schedules included in the Budget Order submitted to the City Council. The Classification Plan has been updated for FY20, listing all the non-bargaining/non-union position titles, senior management classified titles and the Division Head classified titles that are included in this budget. The corresponding salary schedules for the Classification Plan are also included.

## *Group Health and Other Insurances*

In FY15, City employees migrated to the state run Group Insurance Commission for health insurance coverage. This change reset the pattern of health insurance spending for Framingham. Savings over the three year period (FY15-17) were \$24 million. Rates for FY20 expect to increase overall 3.5%. For FY20 the City negotiated with the Public Employee Committee (PEC) to provide different dental plans. Delta Dental will be the new carrier, providing better coverage for less cost. Since the employees pay 85% of the premium and the City pays 15%, a good portion of those savings go in the employee's pocket, but it lowers the cost for the City as well. The Plan is also fully insured, versus the previous self-insured program, thus reducing risk for both parties as well. Based on enrollment in the health plans and assuming modest staff turnover the appropriation is increasing 3.3% or \$1 million.

## *Retirement Fund Appropriation*

The City of Framingham is a member of the Framingham Retirement System (FRS). The FRS includes employees of the Framingham housing Authority (FHA) and the Metro West Regional Transit Authority (MWRTA). The appropriation included in the General Fund budget covers only employer share for the City of Framingham employees, NOT the FHA or MWRTA employees. Further, only "non-teaching" School Department positions are included in this system. Framingham School District teachers are included in the Massachusetts Teachers Retirement System or MTRS. The state funds the employer share of MTRS, Framingham, as an employer does not contribute funds. Employees in both systems contribute a substantial portion of their income as the employee contribution. For employees hired after 1996, they are contributing essentially 11% of their compensation toward their retirement. Actuarially, this is fully funding the retirement benefit. The unfunded liability often referred to in reports and in the news is a result of lower contributions from the employees that were hired before 1984 who contribute 7% or less toward their retirement. The pension benefit eligibility was substantially changed in April of 2012. It increased the retirement age for vested members from 55 to 60 years of age. The average pension in the Framingham Retirement System is \$28,000.

Every two years the Retirement Board is required to update the actuarial study the analyses the assets and liabilities of the fund. The result of that actuarial study is an updated appropriation schedule that sets the funding requirements that will eliminate the unfunded liability. Last year we included the impact of updated mortality tables and a reduced rate of return as recommended by both PERAC, the state agency that oversees all public retirement funds and PRIM, the investment management Agency that invests the Framingham Retirement Fund. This year we are adjusting the rate of return downward again, from 7.5% to 7.35%. The PRIM benchmark for investment return is 7.25%, but the Framingham rate of return is with the benchmark range recommended by PERAC.

The appropriation schedule adopted by the Framingham Retirement Board maintains the elimination of the unfunded pension liability by 2030. The new schedule also includes a larger payment in FY20 which will limit the future year increases to 5.2%; the intention is to reduce the incremental impact on the budget in future years when we have less free cash to invest in one time initiatives such as this. The goal of closing out our pension liability is closer than ever. In 2030 (just ten budgets away), the last allocation will be made-this frees up \$19 million *annually* in cash that can be redirected to closing the OPEB liability (\$12 million is recommended) helping to pay for citizens services and managing the tax burden.

The increase in funding from FY19 is \$1,100,545 (7.1%); again, an accelerated payment with a long term view to reduce the incremental increase over the next nine fiscal years. \$1.1 million of free cash is allocated to fund this investment.

## *Debt Service*

The debt service amount included in the FY20 operating budget is based on the required debt service from issued debt and a modest amount for short term borrowing related to prior year, on-going capital projects. There is a modest increase in the cost of principal and interest on bonds of \$170,000. Funding for short term borrowing funding is decreased \$150,000 compared to FY19; the borrowing plan will require fewer short term BAN pay downs than in prior cycles.

Interest on abatements, which has been included in the debt service spending category until FY19, has been lowered \$11,000 to \$287,000. This change is based on current appeals and our caseload at the Appellate Tax Board. The Chief Assessor and contracted assessing attorney have focused on pushing Framingham cases quickly through the ATB which limits delay and the incursion of interest on these appeals.

### *Non –Appropriation Items*

These budget items require no vote for appropriation but have always been included in the budget documentation and are part of the budget bottom line. These items include tax title – the costs to process tax foreclosure cases in land court. The state assessments – which include a transportation assessment for the MBTA and MWRTA; and charter school, school choice, and special education assessments based on the number of children attending these schools outside of our school district. These amounts are estimates at this point, based on the House budget. But they could, and have, increased substantially with the Senate budget. The amounts we are funding in this budget are the House amounts. The transportation assessments include MBTA (decrease of \$124,883) and the MWRTA (increase of \$168,584) with a total increase of \$43,751 or 2.8%. Special Education assessments increase \$47,256, which is 410% more than FY19. Tuition assessments consist of two types: school choice sending tuition which is increasing \$228,804 or 50%; charter school sending tuition is modest this year, increasing less than \$10,000. Finally, the tax overlay, the amount set aside to offset the cost of tax abatements is included in this budget category. This item is reduced from FY19 by \$173,000 to \$1,900,000.

### **Depositing Free Cash to Reserves and Funding Liabilities**

Free cash is the ending balance of available money that is certified by the state Department of Revenue. Free cash is considered non-recurring, meaning it is not consistently generated every year. In Framingham the free cash balance has ranged from \$1.2 million to \$16.6 million. The Department of Revenue guidance for balances of free cash states municipalities should maintain a balance of 5-10% of total budget value in free cash. In the case of Framingham's budget, that balance would range from \$14.4 million to \$28.7 million. At the end of FY17 certified free cash was \$14.4 million, right on the bottom end of the scale. At the end of FY18 certified free cash was \$10.25 million, below the threshold. In prior fiscal year, following our policy, we use free cash to fund one time capital projects or to deposit into reserves. Last year the City Council chose instead to redirect free cash to offset the tax levy, a recurring revenue source. All told in the budget \$7 million was used. The budget balance, in the last eight years a solid positive balance, in FY18 was only \$2.5 million, hence the decline in the balance of free cash from \$14.4 million to \$10.25 million. In this budget we recommend, again, that free cash primarily be used to fund reserves or one-time costs. We use \$1.1 million to fund an accelerated payment toward closing the unfunded liability in pensions. We deposit \$1.9 million into the Capital Stabilization Fund to help offset the cost of substantial capital needs for City buildings.

The City, again following solid (and long existing) financial policy, deposits \$448,209 into the regular Stabilization Fund. This is often referred to as the "Rainy Day Fund". In FY09, when we adopted the local room and meals tax, the additional revenue was dedicated to the Stabilization Fund until it reached

the 5% of total budget policy level. That happened in FY14, and those dedicated revenues were released as general revenue to fund the operating budget. The amount recommended since then has been amount needed to keep the fund at 5% of total budget, which is the policy level. The current balance of the Stabilization Fund is \$16.1 million. The Department of Revenue benchmark for a Stabilization fund is 5% to 10% of total budget. This would be \$14.8 million to \$29.6 million. We are currently on the low end of that scale. The national Government Finance Officers Association (GFOA) recommends two months' worth of expense as the benchmark for a stabilization fund. In Framingham's case that would be \$48 million. The chart below lists all the City's Stabilization Funds. Even if you add them all together, the GFOA benchmark is not met.

<b>City of Framingham Stabilization Funds</b>					
	Balance as of March 31, 2019	DOR Benchmark Range 5% - 10% **		GFOA* Benchmark	Notes:
Stabilization Fund	\$16,156,136	\$14,813,163	\$29,626,326	\$49,377,210	Fund is at bottom of DOR range, nowhere near GFOA benchmark
Capital Stabilization	\$10,446,699				School project in October 2018; we have not started expending from that appropriation yet
OPEB Trust	\$6,125,631				OPEB liability is \$431,539,005
Open Space Stabilization	\$147,933				Spent \$250,000 in FY16 to acquire woodlands adjacent to Wittenborg Woods
Total "formal" Reserves	\$32,876,399				
* GFOA is the national Government Finance Officers Association; CFO and Asst CFO are members of MA Chapter					
** DOR has benchmarks for regular Stabilization Funds only.					

The ending balance sheet for FY19 should show a modest balance, but we do not expect department turn backs to be as generous as prior years. We stripped all of the budgets during the year for the cost increase in recycling, which doubled. We still have to transfer funds to close the snow removal deficit of approximately \$500,000. We also had two prior year wage settlements with large retroactive payments that swallowed up whatever turnover savings would have been generated. Conclusion: we do not expect to replenish free cash.

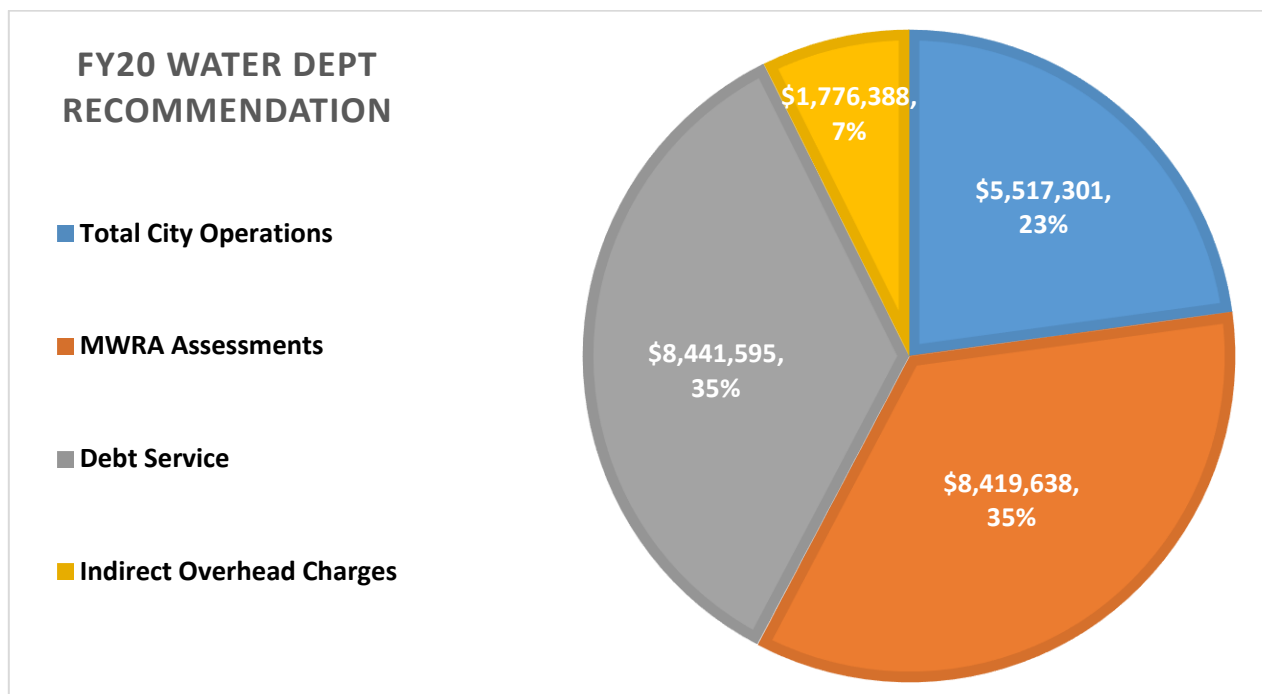
Even though we are falling below the recommended level of free cash, we are placing it into reserves; it is not being spent. Banks and investors view building reserves and paying down liabilities as positive, prudent financial management. We have received positive ratings and comments from our credit rating agency for following a solid financial management plan; we should not change the plan.

## FY20 Enterprise Fund Revenue

Revenue in the Enterprise Fund is generated by fees for certain services and rates paid by residents and businesses for metered water and sewer usage. The revenue raised from regular usage ratepayers is generally the total budget, plus a small amount of depreciation, less non-rate revenue (I/I fees, flat sewer fees, metered pass through sewer revenue from Ashland, private fire services fees charges for sprinkler systems, final meter read fees, etc.). That remaining amount of money needed to fund the budget is divided by estimated usage for the next year to determine the rates. In previous fiscal years the administration has recommended and the Board of Selectmen have voted to use some of the balance of the Enterprise Fund, call retained earnings, as an additional revenue source to offset the revenue needed to be raised by rates. We have recommended the use of retained earnings be used with a long term view – do not use all the retained earnings to offset any rate increase in one year – but to keep the rates from spiking over the long term. There is limited retained earnings available in FY20: \$2.5 million. We recommend the use \$650,000 in retained earnings to limit the increase in water and sewer rates to 2.5%.

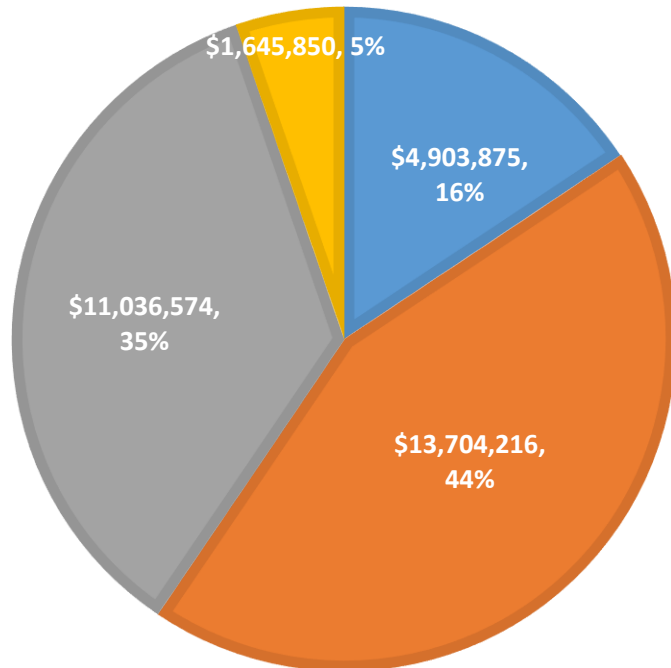
## FY20 Utility Enterprise Fund Expenditures

FY20 Utility Fund Spending is increasing by 3.4% or \$1.8 million. The Water Department total budget is \$24,154,922, an increase of \$1.15 million or 5%. The Sewer Department total budget is \$31,290,515, an increase of \$694,679 or 2.3%. The pie charts below describe the component parts of each budget, both by dollar amount and by percent of the total budget. The largest part of each budget is the MWRA assessment. Debt service is for the water and sewer capital projects authorized in prior fiscal years.



## FY20 WASTEWATER DEPT RECOMMENDATION

- Total City Operations
- MWRA Assessments
- Debt Service
- Indirect Overhead Charges



The largest increase is debt service (\$896,298) which represents a major step in capital project completion in FY17/18 construction seasons. The MWRA assessment is increasing 1.9% or \$154,730. The indirect cost, overhead for services and costs paid by the General Fund, is increasing by 3%. Personnel costs are increasing 1.1% or \$36,297. This includes \$12,000 for an electrical intern from Keefe Tech. Total direct Departmental costs are increasing \$46,346 or 0.8%.

In the Wastewater Department (aka Sewer), the largest increases are in the two largest budget components: the MWRA Assessment and debt service. The MWRA Assessment is almost half of the Wastewater budget. Debt service is a larger portion of this budget due to the completion of the major ACO required project: East Framingham Sewer Improvement Project (EFSIP) which totaled a little over \$40 million. We did receive \$8 million in “debt forgiveness” from the State Clean Water Act Fund, but it was still a large project that took several years and ran pipe from the northeast corner of the city to the Arthur Street pump station in the southeast corner of the City. The FY20 increase in debt service is \$408,039. The MWRA assessment is increasing \$156,472 or 1.15%. The direct Departmental costs are increasing 1.7% or \$82,231. This includes an increase to the part time salaries for an engineering intern. Indirect costs are increasing 3%, the same as the Water Department.

## Debt Position Summary

**City of Framingham  
Direct Debt Summary  
As of June 30, 2018**

General Obligation Bonds Outstanding: (1)		
School (2)	\$21,287,539	
Water/Sewer (3)	\$106,276,331	
General Government (4)	\$48,971,130	
MCWT (5)	\$46,946,606	
MWRA (6)	<u>\$6,005,977</u>	
Total Long-term Debt Outstanding:		\$229,487,583
Add:		
Bonds Issued December 7, 2017		\$32,480,000
Short term debt issued December 7, 2017 (7)		<u>\$856,822</u>
Total Direct Debt		<u>\$262,824,405</u>
<p>(1) excludes lease and installment purchase obligations, overlapping debt, interim loan notes through the MCWT, unfunded pension liability and other post-employment liabilities (OPEB)</p> <p>(2) \$2,824,000 is not subject to the City's debt limit. \$1,973,700 has been excluded from the limits of Proposition 2 1/2. The unpaid balance of state school construction grants payable over the life of outstanding school debt is estimated at \$3,817,966,961. Said grant payments are applicable to both principal and interest and are subject to annual appropriation by the state Legislature.</p> <p>(3) \$91,813,885 not subject to the City's debt limit.</p> <p>(4) \$149,039 not subject to the City's debt limit, does not reflect remaining grant payments from MSBA</p> <p>(5) does not reflect the subsidy from MCWT, which is applicable to both principal and interest. \$7,292,570 is outside the City's debt limit.</p> <p>(6) \$6,006,977 is outside the City's debt limit.</p> <p>(7) Renewal notes to be issued concurrent with bonds, payable December 6, 2019.</p>		

Framingham's debt position went down by \$2 million.

## *Financial Policies Applied in this Budget*

<b>Policy Name</b>	<b>Definitions</b>	<b>Detail/Actions</b>
<b>Use of Certified Free Cash</b>	<p>Free cash is the remaining, or undesignated balance in the General Fund. The General Fund is the primary revenue fund for cities and towns.</p> <p>Certified means the state Department of Revenue has reviewed the City's balance sheet for the end of the fiscal year and approved the free cash balance.</p>	<p>40% of certified free cash will stay in the General fund balance. The remaining amount (net free cash) is available for use. Free Cash may be appropriated for the following uses in the General Fund:</p> <p>Use 1: to maintain the Stabilization Fund at 5% of the annual operating budget.</p> <p>Use 2: transfer to the Capital Stabilization Fund an amount not less than but not more than 30% of net free cash</p> <p>Use 3: transfer not more than 10% of net free cash to the OPEB Trust fund</p> <p>Use 4: transfer to the General Fund to support the Pension Fund appropriation</p> <p>Use 5: appropriate to the annual Capital Improvement Plan</p>
<b>Use of Certified Retained Earnings</b>	<p>Retained earnings is the remaining, or undesignated balance in an Enterprise Fund. An enterprise fund is used by many municipalities for specific business functions that run on usage fees like utilities.</p> <p>Certified means the state Department of Revenue has reviewed the City's balance sheet for the end of the fiscal year and approved the retained earnings balance.</p>	<p>Retained earnings may be appropriated for the following uses:</p> <p>Use 1: Stabilize rate increases on an annual basis and over the long term – make available apportion of retained earnings to serve as an alternative revenue source to usage revenue when an annual increase of rates is excessive. "Excessive" is determined annually. The funds are not to be used to eliminate a rate increase or reduce rates from the prior fiscal year but to mitigate spikes in rates.</p> <p>Use 2: to pay directly for a Utility Fund capital project, or to pay a portion of a capital project as an alternative to borrowing.</p>
<b>Stabilization Fund</b>	<p>A reserve for extraordinary fiscal changes, to pay for costs of natural disasters, and sudden decreases and funding resources. Often called the "rainy day" fund.</p>	<p>The City policy requires the amount in the fund equal at least 5% of total annual revenue each year. The operating budget allocates a portion of certified free cash to maintain that 5% balance in the stabilization fund.</p> <p>A majority vote is required to appropriate money into the Stabilization fund. A 2/3 vote is required to withdraw funds from it.</p>
<b>Capital Stabilization Fund</b>	<p>A reserve for the purposes of providing direct pay funds for a major capital project.</p>	<p>Initiated for the purposes of funding 20% of the City cost of the Fuller School replacement project and the future changes to the Memorial building. 10-30% of net free cash is an annual stream of revenue. Additional appropriations from other revenue sources are allowed. A majority vote is required to appropriate money into the Capital Stabilization fund; a 2/3<sup>rd</sup> vote is required to withdraw funds from it.</p>

<b>Debt Service as a Percent of Total budget</b>	Debt Service is the annual payment from the operating budget to pay the installments for the issued long term and short term debt. Department of Revenue allows up to 10% as a reasonable practice.	Limit the cost allocation and appropriation for debt service to 5% of the total budget for the current fiscal year.
<b>NEW POLICY: Capital Projects Building Maintenance, repair, renovation and general facility upkeep</b>	Requires any spending on building maintenance, mechanical systems, electrical systems, HVAC systems, code compliance, renovation, repair be reviewed and approved by the Director of Capital Projects and Facilities Maintenance or his/her designee. Modeled after the Technology Policy, all facility related spending must be approved by the Director of CPMF.	The draft policy is attached on the next page. It is currently in draft form, to be reviewed, edited if necessary, and approved to be issued and effective July 1, 2019.